



Use Tax - The Basics

The Use Tax has an indirect benefit to Tucson businesses because it removes the incentive for businesses or individuals to shop outside the State in order to avoid paying City and State Privilege Tax.

Privilege & Use Tax Code

The information presented is for general use only. For complete details on Use Tax, refer to the [Tucson Privilege and Use Tax Code](#).

In cases of inconsistency or omission in this bulletin, the language of the Tucson Code will prevail.

Note: The City of Tucson and the State of Arizona maintain separate and distinct privilege (sales) tax codes. Therefore, there are certain situations and circumstances where the taxability of certain business activities are different between the two codes.

Who Pays Use Tax?

Effective July 1, 2003, the City of Tucson imposes a Use Tax on any business and certain individuals who purchase tangible personal property for their own use – not for resale – on which no City sales tax has been paid. (Use Tax is also due on the rental of tangible personal property on which an equivalent City tax has not been paid.)

Tucson's Use Tax rate is two percent (2%).

Use Tax revenue is used to finance the cost of various City services, such as, police, fire, parks and recreation, streets, mass transit, etc.

Use Tax is the complement to the Privilege (sales) Tax in that the sales tax is levied on the retail sales of tangible personal property within Tucson. The Use Tax is levied on a purchaser who acquires property from an in-state or out-of-state vendor and did not pay City sales tax at the time of purchase, and then stores, uses or consumes that property in Tucson.

Examples of Items which are Subject to Use Tax

The following are a few examples of situations in which Use Tax is due. These apply if the business or person has not already paid a City sales tax on the item purchased.

Vehicle Use Tax

An individual purchases a car for \$15,000 while on a trip out-of-state. The dealer does not charge sales tax. The individual is required to pay Use Tax on the purchase price of the car when registered in Arizona. The State Department of Transportation will collect the State's 5.6% Use Tax at the time of registration. The State does not collect City Use Tax. The City must bill and collect its own tax separately.

Individuals that owe City Use Tax on vehicles registered with the Department of Transportation will receive a separate billing from the City for the City's 2% Use Tax on vehicles registered as being stored, or used within Tucson city limits.

Per State Statute, taxing authorities have the right to rely on registration addresses for tax billing purposes.

Persons

A person purchases an item and does not pay City sales tax because they claimed an exemption with the retailer in error. He later discovers that he had claimed an exemption to which he was not entitled. He must then pay Use Tax on the item.

Businesses

A retailer purchases a cleaning product for resale. He later takes it off the shelf and uses it to clean his own store. He must report and pay Use Tax based on the cost of the product.

A restaurant purchases reusable dishes, cups and silverware from an out-of-state supplier who does not charge sales tax on the entire purchase. The restaurant must report and pay Use Tax on the dishes, cups and silverware.

A business purchases some items for free distribution to their customers as part of a promotion. They did not pay City sales tax on the items. They must pay Use Tax on the cost of the items.

A builder purchases building supplies on which the retailer does not charge City sales tax. The cost of any supplies which are not incorporated into the building project are subject to the Use Tax.

A member of a chain of stores obtains catalogs, newspaper inserts, and other printed material from their out-of-state parent company. No City tax has been paid on the printing. The material is then distributed in the City. This material is subject to Use Tax.

A motel provides such items to guests as, continental breakfast, and stationary for which they do not impose a separate charge. No tax has yet been paid. The cost of the items provided are subject to Use Tax.

Exemptions from Use Tax

Any purchases on which an equivalent City tax has been paid, even though it was paid to another City in or out of Arizona.

Individuals who are not in business are exempt from Use Tax on purchases of \$1,000 or less per item on items bought outside of the City. Larger purchases such as cars, boats, airplanes, computers, etc. are taxable.

Casual sales between individuals are not subject to the Use Tax.

Businesses or individuals planning to use, store or consume goods brought into Tucson must report and pay Use Tax. Some out-of-state vendors conducting business in the City or making direct sales into Tucson may also be required to report and pay the tax.

Reporting Requirements

The reporting and payment requirements for Use Tax are the same as for Tucson's Privilege (sales) Tax. The taxes are due and payable on or before the 20th day of the month following the month in which the tax accrues. The City of Tucson tax rate is two percent (2%).

For Information Call, Write or visit:

The Audit Section about tax questions
City of Tucson – Audit Division
(520) 791-4681
255 W. Alameda – Second Floor
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Tucson, AZ 85726

The License Section about Licensing
City of Tucson – License Section
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